

City of Arlington, Texas

POPULAR ANNUAL FINANCIAL REPORT

Year ended September 30, 2012



Focus On Priorities



Mayor's Message



Dear Reader,

The Arlington City Council and I are pleased to present the 2012 Popular Annual Financial Report. This report is an opportunity to present information about the work of our municipal organization in an open and transparent manner. We work to conduct the business of the Council and the larger corporation in this same way, believing it is necessary as a responsible governmental entity.

Arlington continues to flourish. We are a surprise to many people who don't live here – but all of us have always known what a treasure we have here in Arlington. This year has been one of challenge and achievement. I am so proud of this community for what it has accomplished.

Some of the more memorable moments from this past year include another appearance in the World Series by the Texas Rangers, two new Arlington events - the Christkindl Market and the Art on the Greene, and Arlington's 23rd annual "Sharing the Dream" Martin Luther King Jr. celebration. Arlington was also challenged by a dangerous spring tornado that destroyed 492 homes and the West Nile Virus that affected the health of many in our region. We are thankful that neither event resulted in any loss of life.

In 2012, Arlington continued to stand out with innovative solutions and high levels of achievement. A new and money saving approach was used to solve a water pressure issue by lifting the Harwell Water Storage Tank in North Arlington with hydraulic jacks and then welding it back together. This set a new standard for innovation and

saved a lot of money in the process. The City was also recognized with awards in several areas including water, parks design and public safety. Our online citizen survey shows that overall, residents think Arlington is a great place to live – with high ratings for emergency response, water, and libraries as well as the parks and recreation programs.

As we look to the coming year, there are many reasons to be optimistic. You can see that the City's property tax rate of 64 point 8 cents (0.648) compares favorably to our neighbors and other Texas cities. The strength of our fiscal standing is supported by the assignment of the major rating agencies - Moody's, Standard & Poor's and Fitch. Our bond rating is AA+, a rating achieved by only 15% of cities nationwide.

We have achieved this because the City Council and staff have worked hard to implement conservative fiscal practices. We manage our debt, and consistently use one-time money for one-time expenses. We stick to our financial policies and make sound financial decisions.

As we close the books on 2012, there is a sense of optimism in the air. I'm proud of the work that has been done by Council and staff and offer this report on the financial status of our great city. I invite you to share your feedback with us.

Sincerely,

Robert N. Cluck, M.D.

Arlington Mayor
Robert.Cluck@ArlingtonTX.gov
817.459.6121

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2012 City Council



(Back row left to right)

Jimmy Bennett, District 7, At-Large; Robert Rivera, District 3; Kathryn Wilemon, District 4, Mayor Pro Tempore; Robert Shepard, District 6, At-Large; Gene Patrick, District 8, At-Large.

(Front row left to right)

Mel LeBlanc, District 1; Lana Wolff, District 5, Deputy Mayor Pro Tempore; Robert N. Cluck, Mayor; Sheri Capehart, District 2.

The Arlington City Council consists of a mayor and eight council members elected by the voters of Arlington. Five are elected from districts to represent geographic parts

of the City. The mayor and three at-large council member districts are elected by the entire City. Members serve two-year terms, with annual elections in May.



City Manager's Message

Dear Arlington Resident,

I am pleased to present the City of Arlington's Fiscal Year 2012 Popular Annual Financial Report. This report and the City's Comprehensive Annual Financial Report are the public equivalent of a private corporation's annual report. These documents report on the financial health of our organization. They are our report card to you, on how we are using your money to further the community's goals and priorities.

In our continuing effort to be transparent about our operations and spending, we outline in this document the challenges and opportunities we have faced during the last fiscal year and will face in the future. You will see that the City of Arlington is on the rise, following the economic challenges of the last four years. In FY 2012, Arlington reached a record in terms of sales tax receipts, achieving collections of over \$50 million. This is a 4.4 percent increase over FY 2011. We saw a modest growth in ad valorem property tax values as well, of about .6 percent.

During the economic downturn, Arlington was fortunate to maintain service delivery and still accomplish key community priorities. This was achieved while remaining vigilant about our strong fiscal policies, and maintaining our reserves and our healthy bond rating. Arlington currently has approximately 24% of the City's annual General Fund Budget in reserves.

This report is intended to be a synopsis of the CAFR, but it also a retrospective on some of our primary achievements this year and our challenges for the future. It is based on audited financial documents and is a summary of our financial outcomes during the 2012 fiscal year.

It is called the Popular Report because it is a streamlined snapshot of our financial state for our citizens and visitors to understand and enjoy. It is about your City. I encourage you to read it and learn about how your tax dollars have been invested. If you have any questions or comments, please contact me.

Sincerely,

Trey Yelverton

Arlington City Manager

Trey.Yelverton@arlingtontx.gov

817.459.6101

Strategic Plan

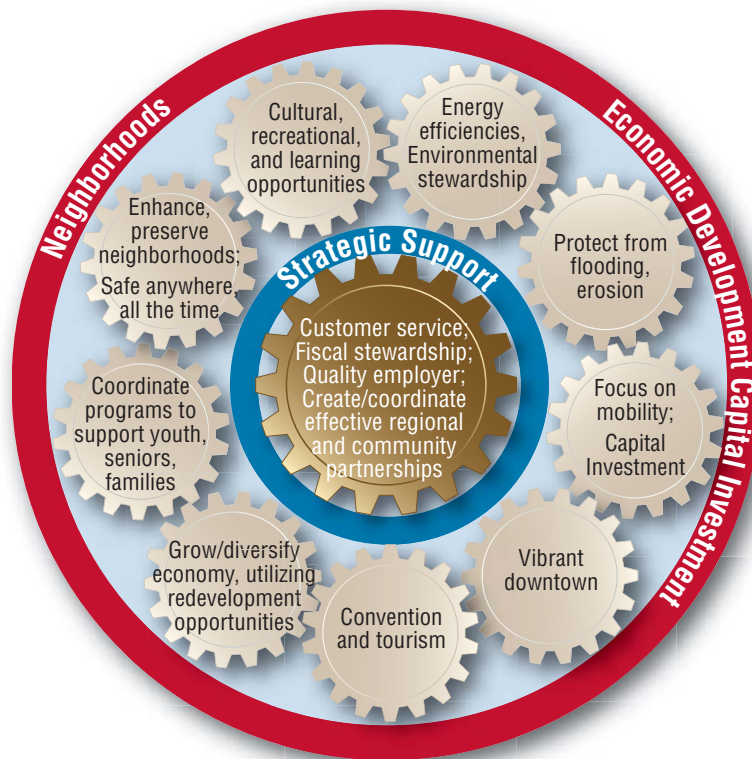
The City's Performance Plan outlines the community's vision, mission, priorities and values in 2012.



Arlington is committed to being a pre-eminent city, providing an exemplary environment in which to live, learn, work and play.



The City of Arlington enacts the will of the people through their active, inclusive participation and provides the services they demand in a quality, cost effective manner.



Working Together To Make Arlington Better

Responsiveness and Respectful to our customers and co-workers

Innovative in identifying possibilities, exploring options, and creating solutions

Committed to excellence

Relating to our customers and each other with **Integrity**

- The City provides outstanding customer service
- Staff exceeds expectations in delivering core service and daily operations
- Uphold the highest professional and ethical standards
- City values diversity, creates positive relationships and maintains effective partnerships with the community and organizations
- City achieves results through planned actions and measurable performance



Financial Look Back at 2012

Trends

Fiscal year 2012 began a recovery for the City of Arlington.

Like many communities in the nation, FY 2010 and 2011 both saw declines in assessed property values. While the City's unemployment rate remained lower than both the state and national rates, it was on the increase. We faced uncertainty as FY 2012 began but by the end of the year, housing foreclosures had slowed and sales tax revenues had increased notably. While this was good news for the City, we remained conservative in planning for the future, with a continued focus on key community priorities.

Challenges

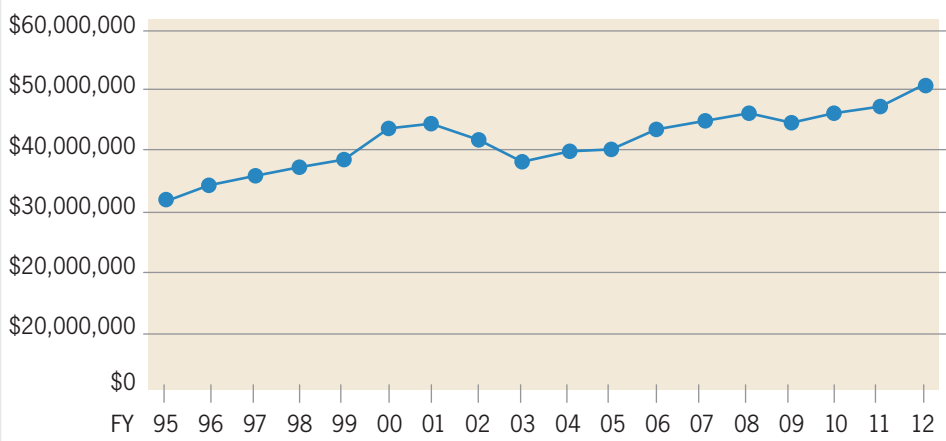
Looking back, one of the biggest challenges we faced in FY 2012 was the tornado that hit our community on April 3rd, damaging hundreds of homes and apartments. The City immediately sprang into action. Police, Fire, Public Works and Parks were just some of the departments that came together to meet our residents' needs. Significant costs for labor and materials were incurred, but due to the City's strong financial position, the costs were covered without substantial ill effects on the City's budgeted reserves.

As other cities struggled with issues like ever-increasing contributions to public pension systems, Arlington, as a member of the Texas Municipal Retirement System, actually saw a rate decrease in 2012, from 17.16 percent of payroll to 16.77 percent. This is attributable to changes in state legislation that allowed the system to restructure its funds and diversify its portfolio.

Reserves

Reserves represent our safety net in times of emergency and economic downturns, and they are the first areas we fund. Approximately \$50 million of the City's annual General Fund budget is in reserves. Some of the larger reserves include the Unallocated Reserve, targeted at 3 percent of General Fund expenditures. It is designed to be used for emergencies and unanticipated expenses. The Working Capital Reserve sets aside one month of General Fund expenditures to provide adequate operating cash during normal revenue and expenditure cycles. One of our largest reserves is the Landfill Lease Reserve. This reserve, in excess of \$21 million, originated from a one-time payment to the City when it leased its landfill to

Sales Tax Revenues
FY 1995 - 2012





a private operator in March of 2005. Our newest reserve is the Business Continuity Reserve, also targeted at 3 percent of General Fund Expenditures. This reserve is in place to ensure that in the face of funding shortfalls, service delivery will continue until sound solutions to the shortfall can be identified.

Bond Rating

Moody's, Standard & Poors, and Fitch rate our credit worthiness and they consider our reserves one of our strongest assets. We have been able to maintain or AA+ and Aa1 bond ratings through these challenging economic times. These strong ratings allow us to issue municipal debt, vital to the City's infrastructure, at a lower cost.

Debt

During FY 2012, the City took advantage of the low cost of borrowing and issued \$43.5 million in Permanent Improvement & Refunding Bonds to make various capital improvements and to refund \$11.9 million of commercial paper notes. The City also issued \$16.6 million in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. During the year, the City paid down principal of \$39.4 million on our general obligation and certificates of obligation debt,

\$15.4 million of our Cowboy Stadium debt, and \$11.6 million on our Water and Sewer and Stormwater Utility debt. In total, the City decreased its outstanding debt by approximately \$20 million.



Awards

The City continued to be recognized for its outstanding reporting efforts. We again received the Certificate of Achievement for Excellence in Financial Reporting for our 2011 CAFR, the Certificate for Outstanding Achievement in Popular Annual Financial Reporting for our 2011 PAFR, and the Distinguished Budget Award for our 2012 budget from the Government Finance Officers Association. We also received the Achievement of Excellence in Procurement Award from the National Procurement Institute, Inc. And once again, the State of Texas Comptroller of Public Accounts recognized us as a leader in financial transparency.

Priorities

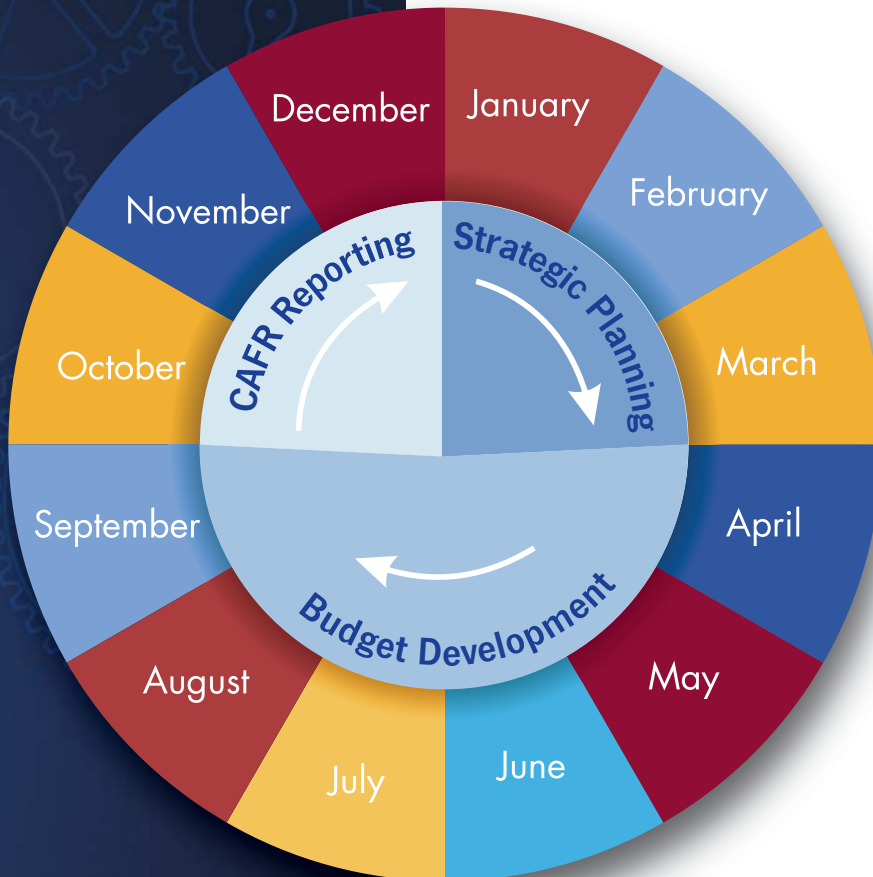
In March 2012, the Mayor and City Council held a Priority Setting Session and identified four community priorities in which they wanted to see notable progress over the next 12 – 18 months. These priorities are:

- Enhance Regional Mobility
- Build a Thriving Community
- Define an Identifiable Brand
- Support Quality Education

We will be focusing our new and existing resources in these key areas as we look toward the future.



Arlington Financial Cycle



MAY

- Review 2nd QTR BP/budget
- Department BP & budget modifications /proposals due for next year
- Preliminary revenue for upcoming fiscal year determined

JUNE

- Budget & BP
- Modifications & proposals reviewed & prioritized
- Proposed budget discussion with City Manager

JULY

- 3rd QTR BP/budget compiled
- CMO & OMB finalize proposed budget
- Certified tax roll received from Tarrant Appraisal District

AUGUST

- Review 3rd QTR BP/budget
- Proposed budget presented to City Council
- Budget town hall meetings conducted with residents

SEPTEMBER

- Budget development discussion with City Council
- Budget adopted

OCTOBER

- 4th QTR BP/budget compiled
- Finance discussions begin
- Fund closings
- Citizen survey developed

NOVEMBER

- 4th QTR BP/budget reviewed
- Fund closing continues
- Budget document finalized

DECEMBER

- New budget submitted to GFOA
- Citizen satisfaction survey completed

JANUARY

- External Auditor, staff begin work on CAFR & single audit
- 1st QTR business plan & budget compiled
- City Council coordinates strategic planning session for upcoming fiscal year

FEBRUARY

- 1st QTR business plan/budget reviewed

MARCH

- CAFR/PAFR completed
- City Council approved
- Official statement updated

APRIL

- 2nd QTR BP/budget compiled
- Potential bond issuance
- Rating agency review/OS update
- Budget kick off
- CAFR/PAFR submitted to GFOA

CAFR Comprehensive Annual Financial Report

PAFR Popular Annual Financial Report

BP Business Plan

OS Official Statement

GFOA Government Finance Officers Association

CMO City Manager's Office

OMB Office of Management and Budget

Arlington, Texas City Profile

FACTS & FIGURES

The City of Arlington is a diverse metropolis located approximately 20 miles west of downtown Dallas and 12 miles east of downtown Fort Worth. What started as a small rural farming community in 1884 is now the nation's 50th largest city with more than 365,000 residents. From a regional perspective, Arlington is the seventh largest city in Texas.

Arlington is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty.

Whether for shopping, dining or enjoying entertainment, Arlington continues to prove that it really is 99.7 square miles of culture, sports, and excitement.

Arlington is known for being a travel destination, boasting some of the area's top family-friendly attractions including Cowboys Stadium, Six Flags Over Texas, Hurricane Harbor,

	2010	2011	2012
Population	365,438*	365,530	365,860
General Obligation Debt per Capita	\$917	\$886	864
Labor Force	208,628	209,258	205,683
Unemployment Rate	7.8%	7.6%	6.8%
Housing Start Permits Issued	284	230	465
Foreclosures (residential and commercial)	1,262	914	981
Occupancy Rates			
Office	85.3%	88.0%	88.0%
Industrial	85.7%	90.0%	91.0%
Retail	92.0%	91.6%	92.9%
Residential (Multi-family) North and South no longer tracked separately		92.1%	93.2%
North Arlington - 4th Quarter	93.0%		
South Arlington - 4th Quarter	91.0%		

*2010 population is based on latest census data. Other population data is estimated.

International Bowling Campus and Rangers Ballpark in Arlington.

Arlington also is home to quality medical, research and learning

institutions like University of Texas at Arlington, Tarrant County College, and Arlington and Mansfield Independent School Districts.

The transportation infrastructure in and around Arlington is continually updated as millions of dollars in local, state, and federal money fund roadway improvements. A local sales and use tax for street maintenance continues to provide an additional funding mechanism for repairs of neighborhood streets and thoroughfares.

The local economy is strengthened even more by the presence of quality neighborhoods, parks, libraries, commercial development and the Arlington Municipal Airport, which provides excellence in corporate and leisure aviation services.

For more information, visit www.ArlingtonTx.gov.



Neighborhoods

The City of Arlington improved the quality of life for its residents in a variety of ways in FY 2012.

Community Assistance

The Ride 2 Work program, which helps transport residents to and from their jobs, received additional funding from a variety of sources. Additional funding was needed, as 86 percent of riders live in households below the federal poverty level.

The City also began a Homebuyers Assistance Program that offered no-interest, deferred loans for qualified first-time buyers with modest incomes.

The Arlington Home Improvement Incentive Program was implemented this year. It provides financial incentives to residential property owners making at least \$20,000 in improvements to their property. Property owners receive a one-time rebate equal to ten times the amount of increase in their City property tax after the improvements have been completed.

Literacy Initiatives

AmeriCorps VISTA (Volunteers in Service to America), dedicated to fighting poverty and illiteracy, facilitated the Reading Corps program, which is designed to enhance the reading and writing skills of pre-kindergarteners through third graders with the goal of having all children reading at grade level by the end of third grade.

Wanting to encourage reading from birth, the City teamed up with Texas Health Arlington Memorial Hospital to provide all infants with a My First Library Card Pack that included a board book, bag, library card and a variety of handouts.

Other library initiatives included:

- The installation of an eAudiobook kiosk at Elzie Odom Athletic Center.

- Joining forces with Mansfield to offer a shared online catalog and access to a larger collection.
- Renovating the Central and Lake Arlington Libraries.

Outdoors

Arlington hosted its first juried arts festival, Art on the Greene, which took place amongst the Caelum Moor sculptures at Richard Greene Linear Park in the heart of the City's Entertainment District. The festival, organized by Arlington resident Steve Moya, featured more than 70 artists, live music and local food.

Besides a new festival, Arlington also celebrated Allen Bolden Pool's 25th anniversary with a throwback admission price, '80s trivia contest, food specials and other fun activities. Bolden family members and past aquatic employees joined the merriment.

Another thing to celebrate was Tierra Verde Golf Club's use of cooking oil to propel its 13 lawnmowers. Not only does using the biodiesel reduce the club's carbon footprint, but it also provided an estimated \$1,500 in savings for the year. Other notable events:

- The City was one of 13 U.S. cities to host the U.S. Open National

Cultural, Recreational, and Learning Opportunities

Enhance, Preserve Neighborhoods; Safe Anywhere all the time

Coordinate Programs to Support Youth, Seniors, Families





Playoffs Texas Sectional Qualifying Tournament for the United States Tennis Association.

- Arlington Tennis Center added new tennis courts specially designed for kids 10 and under to help them learn the game quickly.
- The City held a photography contest for residents that benefited Animal Services. Residents could enter a picture of their pet in one of Arlington's 90+ parks, with a \$5 donation, for a chance to be in the pet calendar.
- River Legacy Park received a custom-designed tree house that integrates a traditional play structure with nature, and former President George W. Bush took a bike ride on one its great trails.
- Three new parks opened: Crystal Canyon Natural Area, BC Barnes Park and Valley View Park.
- Elzie Odom Athletic Center's 30-foot climbing wall received a safari and rainforest-themed makeover and now gives climbers a breathtaking view of the Trinity.
- Parks held a Cache In/Trash Out cleanup event in partnership with Keep Arlington Beautiful, the Southwest Arlington Geocachers and the Water Utilities Department to beautify part of Lake Arlington.

- One of the last large residential developments left in Arlington began construction of homes in FY2012. Viridian in the north part of town is the City's first master planned residential community.

On the Streets

The Fire Department continued its program that sent light response vehicles to emergency medical calls instead of larger fire trucks. Using a smaller vehicle on medical calls reduces wear and tear on fire engines by an estimated 12,000 miles yearly and saves

about \$11,500 in fuel costs.

AFD also helped Texas Rangers outfielder Nelson Cruz spearhead an effort that sent three first-responder vehicles to Las Matas Santa Cruz, located in the Dominican Republic province where Cruz grew up.

Arlington Police Department's groundbreaking use of social media to engage and educate the public was featured at several conferences this past year and resulted in the receipt of the 2012 Best of Texas Award for the Most Innovative Use of Social Media from the Center for Digital Government. In addition to amassing more than 6,000 likes on Facebook, the department used Tweetalongs to give followers a virtual ride-along experience with a police officer.

APD also created a special day for Kye, a young boy battling leukemia, whose wish was to spend a day fighting crime with Batman. Kye stopped the Joker and the Riddler from wreaking havoc on Arlington and got a key to the City.

To gain new perspectives, the Police Department participated in an Officer Exchange Program with Philadelphia, the fourth-largest police department in the nation, and also grew participation in the Citizens on Patrol (C.O.P.) Mobile unit.



Economic Development

Arlington continued its efforts to attract more visitors and create a desirable environment for businesses.

Downtown Continues To Blossom

A study conducted by the consulting firm Perryman Group found that UT-Arlington contributes about \$1 billion yearly to the local economy through ongoing operations and student and visitor spending. The university is also responsible for a \$12.8-billion impact on North Texas, which is roughly 4 percent of the regional economy.

The study also found recent and ongoing construction – including the UT-Arlington College Park development – added just more than \$502 million to the local economy. One restaurant that opened in the College Park District was the Smiling Moose Deli, of which former Dallas Cowboy Daryl “Moose” Johnston is a co-owner. Other new businesses that sprang up nearby: Cool Berry Frozen Yogurt, Digg’s Taco Shop, Pie Five Pizza Co., Mavs Sports Grill, GRIP Mediterranean Grill and Pho Xpress.

New Businesses Open Shop

Lincoln Square, located in the Entertainment District, became the home of several new businesses including Cool Berry Frozen Yogurt, Lupe’s Tex Mex, Michael’s, Ulta, Chaucer’s Sushi and Clothes Mentor.

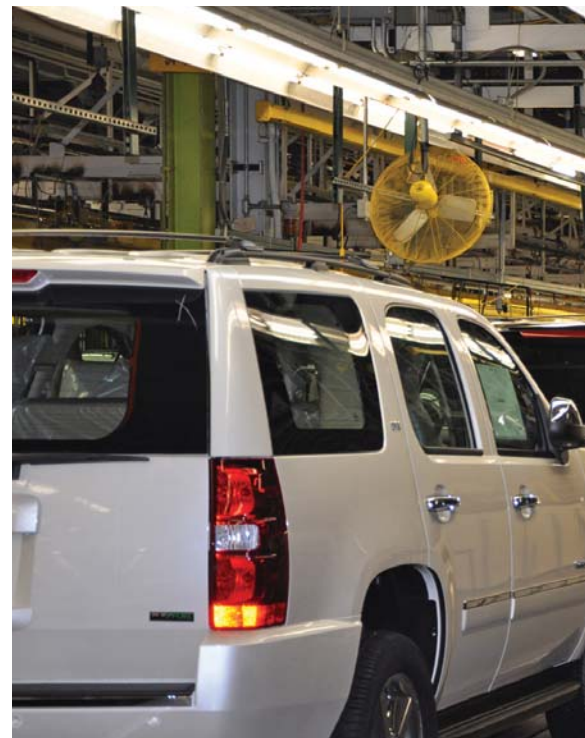
Arlington now boasts the largest Sam Moon accessory store in the Metroplex with the opening of the company’s location near the Parks Mall in August. The 17,000-square-foot store created about 40 new jobs and attracts customers from all of southern Tarrant County.



Investing in Improvements and Expansions

Early in 2012, General Motors announced that its Arlington assembly plant would be home to a new sheet metal stamping facility, a \$200-million investment. The project is expected to add some 180 jobs to the workforce of the City’s largest private employer.

The Texas Rangers made it all the way to the World Series again in 2011. To provide visitors with more information about the City and its businesses, Arlington created a web page dedicated to the 2011



Cultural, Recreational, and Learning Opportunities

Enhance, Preserve Neighborhoods; Safe Anywhere all the time

Coordinate Programs to Support Youth, Seniors, Families

championship that featured things to do in the City, transportation options, event parking and traffic information.

After the baseball season concluded, the Rangers spent \$12 million to renovate Rangers Ballpark in Arlington, including an overhaul of Vandergriff Plaza in the outfield. To enhance fans' experience, the club added an indoor restaurant and sports bar, created an indoor dining club available for rental and moved the Kids' Zone into an air-conditioned space. The Rangers expect the renovations to bring incremental tax revenue and make the Entertainment District even more appealing.

The City also renovated the Arlington Convention Center, using a portion of the funding from the federal Energy Efficiency and Conservation Block Grants program. Staff replaced 465 incandescent bulbs with LED lights to reduce energy costs and reduce fossil fuel usage.

To support private sector development for the next 20 years at the Arlington Municipal Airport, the City used a \$6.4-million federal grant to expand the west taxiway to 75 feet wide. The expansion gives the airport the ability to use it as an alternative runway, allowing uninterrupted services. Helicopter company AgustaWestland also invested \$3.5 million to renovate an existing hangar/office building on the east side and



construct an adjacent 7,000-square-foot office building.

Arlington also opened the door for future investment opportunities when it hosted the opening ceremonies of a nine-day U.S.-China Investment Summit at Cowboys Stadium. Mayor



Robert Cluck and City Manager Trey Yelverton spoke to the more than 50 investors, showcasing Arlington's corporate partnerships and highlighting local examples of innovation and opportunities for outside investment.

To ensure that the City continues to be an attractive place to do business, the City, Keep Arlington Beautiful, Southwest Arlington Geocachers and Republic Services teamed up to remove litter in Great Southwest Industrial Park. A team of 110 volunteers collected 180 bags of trash and 30 tires that had accumulated along Avenue F over the years.

The Start of Something Special

Viridian, the \$2-billion mixed-use, sustainable development, continued making progress with the start of its first

phase – construction of 500 houses.

To service the new homes, a temporary fire station, No. 17, opened officially in April. The 3,691-square foot building will serve the neighborhood until more homes are built.

New Beginnings and Honoring a Unique Relationship

Arlington's first Christkindl Market, an old world German holiday fair, attracted visitors from all over the Metroplex in 2011, with about 5,000 people showing up for the opening ceremonies. The free four-day event featured 50-plus booths selling authentic German cuisine, entertainment and crafts.

Two thousand eleven was an appropriate year to host the inaugural market, as Arlington celebrated its 60th anniversary with its German sister city Bad Königshofen. To further commemorate the most enduring American-German sister city relationship on record, the City hosted a group of visitors from the Bavarian town.



Capital Investment



Protect From Flooding and Erosion

Energy Efficiencies

Environmental Stewardship

Focus On Mobility

Infrastructure

Water Department Innovation Reaches New Heights

Constructed in 1981, the Harwell Elevated Storage Tank (EST) in North Arlington was 11 feet lower in elevation than optimally needed to provide proper pressure and efficiency, which caused less than half of the two-million-gallon volume to be used efficiently. As part of the City's routine maintenance and to maintain water quality in the distribution system, the Harwell EST had to undergo infrastructure improvements to optimize system operations.

Raising the tank was one of three options the City researched to make the proper improvements. The other two were building a pump station and using an electrical energy source to manually control the filling and draining cycle of the tank, or starting from scratch by building an entirely new tank.

Raising the tank was the best and most cost-effective solution for this elevated storage tank.

Lifting the Harwell EST by 11 feet met the elevation requirements to provide improved water system operations and restore full functionality of the tank. Additionally, the tank was rehabilitated internally and externally.

What originally seemed like an impossible idea turned out to be the best solution. Anytime Water Utilities can find a lower cost option, it results in cost-savings for rate payers. And, that allows the City to put money into other projects, like water line renewals. Thinking outside the box – or, in this case, outside the tank – paid off.

Recycling of Water is Proving Beneficial for Arlington

Arlington is known for the high quality of its drinking water. During times of drought, drinking water supplies are stressed.

That's why Arlington purchases reclaimed water, which is actually highly treated wastewater, from the City of Fort Worth's Village Creek Reclamation plant to use for everything from dust control and irrigation at the 750-acre Arlington Landfill to keeping the Chester Ditto Golf Course green and lush. The 50-acre J.W. Dunlop Sports Complex is also being served with a six-inch reclaimed water line including a booster pump to meet irrigation pressure requirements.

Reclaimed water costs less than drinking water and, when used for irrigation, reduces fertilizer use because some nutrients like nitrogen and phosphorus remain.

Arlington's Reclaimed Water System is a two-phase process, the second of which will evaluate delivering reclaimed water throughout the Entertainment District to places like Cowboys Stadium, the Rangers Ballpark in Arlington, Johnson Creek Park system, Lincoln





Major Street Improvements

A portion of one of the City's major thoroughfares underwent a much-needed face-lift.

The expansion of Matlock, a joint project of the City of Arlington and Tarrant County, increased it from four to six lanes along Interstate 20 on the north to Bardin on the south.

Funded by the Tarrant County Bond Program, the total cost of the project was about \$1.8 million.

Rush Creek Mitigation

In 2011, the City sold bonds for the first time for its Stormwater Utility. The utility is funded by a fee on the City's Water Bills. Approximately \$25M in revenue bonds were issued against the revenue generated by the Stormwater fee. The UTILITY received a AAA rating. In 2012, a portion of that funding was used to mitigate flooding along Rush Creek by purchasing 50 homes and condominiums that were in the floodplain. The remainder was spent on erosion and stormwater improvements. The purchased homes have been demolished, and the City has replaced them with green space.

Square and other potential irrigation or commercial/industrial customers.

Basically, that means business owners, and possibly homeowners in the future, can water their lawns using reclaimed water as an alternative to treated water.

Even though Stage 1 drought restrictions were lifted May 4 after being in place seven months, the drought-watering schedule implemented in 2011 continued to reduce water use as part of a long-term conservation program to ensure the City has adequate water for years to come. Sustainability and water conservation will be needed in the future.



Strategic Support

Strategic Support represents primarily the back office of the City organization. While most of this part of the organization does not have direct service delivery to citizens, they make sure that our employees in the field get paid, have computers and health insurance. They assist departments in communications, running the Municipal Court, and a local foundation. They deliver service that keeps the City organization running efficiently.



Telling Our Stories & Getting Residents Involved

Arlington used an online video to communicate the State of the City address. Narrated by Mayor Robert Cluck, the speech focused on Arlington's accomplishments from FY 2011. Mayor Cluck also shared City Council priorities in a separate State of the City 2012 online video.

Another way the City reached out was through the launch of MyArlingtonTX.com, a robust news website that features City and community news. The user-friendly site has articles, photos, videos and a calendar of events. Because of its

up-to-the-minute, comprehensive coverage, MyArlingtonTX.com played a key role in communicating with residents throughout the year.

Engaging residents was also a priority. When the Texas Rangers celebrated the 40th anniversary of the team's first season in Arlington, the City and Arlington Convention & Visitors Bureau coordinated the Let's GLO Rangers rally, where 1,700 fans with LED glow sticks gathered to spell the team's name. Aerial photos captured the event and were shown on the Rangers Ballpark JumboTron on opening day.

Commending a Charitable Organization

The Arlington Tomorrow Foundation celebrated five years of service to the City in FY 2012. Since its inception in 2007, the organization has awarded \$7.3 million in grants to 252 projects and programs designed to improve the quality of life in the City. At the five-year mark, the Foundation fine-tuned its operations, restated its mission, and launched a new logo and website to show its continued commitment to the City. Visit the Foundation at www.arlingtonfoundation.org.

Customer Service

Fiscal Stewardship

Quality Employer

Create/Coordinate Effective Regional and Community Partnerships



City Working Together During Challenging Times

While the City is organized in teams, all departments worked together this year to help our community during difficult times. Whether it was the complications associated with responding to the West Nile Virus outbreak or a train derailment downtown, departments worked quickly to ensure the safety for our residents.

In what health experts called the worst year ever for West Nile Virus in North Texas, Arlington initiated its multifaceted response plan that included education, public notification of reported cases, trapping and testing of mosquitoes in areas of concern, follow-up testing, and targeted spraying and larvacide application. Fire Chief Don Crowson credited the City's ability to contain the number of WNV cases in Arlington to coordinated efforts of the Multi-Departmental WNV Response Team.



Arlington also faced the devastation of a tornado producing winds in excess of 135 mph that damaged more than 500 homes and apartments on April 3. Every City department came together to ensure safety on the streets and to support residents through the creation of the Tornado Recovery Center, a one-stop shop.



Here are a few highlights of the tornado response:

- The Arlington Fire Department conducted systematic searches and set up checkpoints to maintain safety and security.
- Public Works and Transportation set up barricades, repaired signal lights and cleared debris from the roads.
- Parks and Recreation launched the Re-LEAF program that provided free trees to people who had lost theirs in the storm.
- Animal Services launched its online lost-and-found pet finder tool ahead of schedule to aid those separated from their pets after the tornado.
- The Library created a lost and found for photos discovered in storm debris.

Another unexpected event occurred when a freight train derailed in downtown Arlington. Six tanker cars, four carrying corn syrup and two empty ones, were part of the accident that had no injuries. The City was able to open all major intersections that were affected a short six hours later.



Achievements

Arlington was recognized for many of its accomplishments in FY 2012. Here are several of the most significant awards.

The City reached an important milestone at the end of FY 2012 by accumulating the **highest sales tax revenue in Arlington's history**.

According to data from the State Comptroller's Office, Arlington's General Fund sales tax receipts were more than \$50.5 million, growing 4.8 percent from FY 2011.

Arlington City Attorney Jay Doegey was elected **president of the International Municipal Lawyers Association (IMLA)** after serving on its Board of Directors since 2002.

The City has the **most IMLA Fellows of any municipality** in the U.S. and Canada with 10. To earn the designation, attorneys must devote a significant portion of their practice to municipal law, pass a rigorous written exam and publish an article in a municipal law publication.

The IMLA also awarded Assistant City Attorney Jeanene McIntyre, who has served as principal legal counsel for the City on many major projects, with the prestigious **Joseph Mulligan Award** for outstanding public service by a local government attorney.

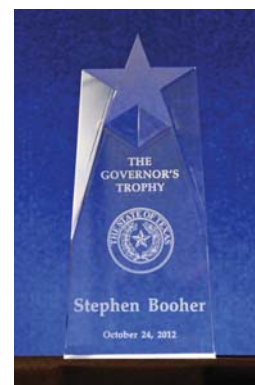
Twelve-year APD veteran Bryan Graham became the first Arlington SWAT officer to receive the **Governor's Star of Texas Award**, which is bestowed on first responders and special agents who make a profound commitment while performing their duties. Graham was struck in the head by a bullet when he was assisting a critical incident operation involving a felony warrant suspect with a hostage.

The Purchasing Division received its ninth consecutive **Achievement of Excellence in Procurement Award** for 2012. The City is one of only 38 Texas governmental agencies and one of only 54 cities nationwide to receive the award.

The Governor's Committee on People with Disabilities presented Stephen Booher, the City's Organizational Development Specialist, the **Governor's Trophy**. The award – the

organization's highest honor – goes to an individual who has achieved success in enhancing the empowerment and employment of Texans with disabilities and has a long-term commitment.

The Parks and Recreation Department won the **2012 Gold Leaf Award** at the Texas Community Forestry Awards for its annual celebration of Arbor Day through Ecofest, the annual one-day festival that offers environmental education, classes, crafts and entertainment.





The Parks and Recreation Department, in collaboration with Grand Prairie, received the **2012 Innovation in Programming Award** for the first Brand-Aid Marketing and Promotions Conference in 2011 that attracted 300 professionals and students.



At the 33rd Annual Texas Police Athletics Federal Games, an Olympic-like competition for nearly 2,000 law enforcement agents, two APD officers took home medals. Officer Barry Samples won **two gold medals**, and Sgt. Jimmy Salinas won **three silver medals**.



The National Recreation and Park Association presented Arlington with the **National Park Design Award** for Phase 1 of the Johnson Creek Ecosystem Restoration, which included creek restoration, stream bank stabilization, recreational trail development and ecosystem enhancements along the creek within Richard Greene and Robert Cluck Linear parks.

The Forestry and Beautification Division received the **Bronze Leaf Award for Outstanding Municipal Project of the Year** for 2011 in recognition of Super Grow XLV, Arlington's tree-planting initiative to commemorate Super Bowl XLV that resulted in more than 1,100 new saplings around the City.

In March 2012, **Golfweek Magazine** named Arlington's Tierra Verde the 19th-best course in Texas. Tierra Verde became the first municipal course in the world to be certified as an Audubon Signature Sanctuary, which signifies the course's commitment to ecologically sound management and conservation of natural resources.

The Public Library's volunteer recruiting campaign that resulted in a 112 percent increase in volunteer hours garnered two awards in FY 2012. The Library was one of only eight libraries to receive the **John Cotton Dana Library Public Relations Award** that was accompanied by \$10,000. Arlington also took home **top**

honors in the Public Relations

Plan category of the Texas Library Association's Public Relations Branding Iron Awards.

Efforts to engage the community in environmental projects helped Keep Arlington Beautiful win the **2012 Governor's Community Achievement Award** from Keep Texas Beautiful, along with a \$310,000 grant from the Texas Department of Transportation for beautification projects.

The Arlington Housing Authority (AHA) won three awards from the Southwest National Association of Housing and Redevelopment Officials (SW NAHRO). AHA Executive Director David Zappasodi received the **Farris Award**, SW NAHRO's highest individual honor. SW NAHRO also presented the department with the **Best Annual Report** and **Best Coverage by a Broadcast**. The City also received three **Awards of Merit** at the organization's national meeting.



The Sunshine Review, a nonprofit dedicated to government transparency, named Arlington a **2012 Sunny Award winner**. Only 214 government websites out of more than 6,000 reviewed received recognition.

At the Annual Statewide Best Tasting Water contest, Arlington won **top honors in the Best Tasting Surface Water** category. Winners were selected on the basis of a flavor profile analysis conducted during a blind taste test.

Financial Highlights 2012

Financial Trend Summary

The financial data below is intended to provide a big picture overview of key financial metrics for the past three years. The information below is from selected funds and does not purport to represent all of the City's component units. For ease of reading, this data is summarized in ways that are not in accordance with Generally Accepted Accounting Principles (GAAP) and the notes to the financial statements are not provided. The City of Arlington is audited annually and prepares a full GAAP-based Comprehensive Annual Financial Report (CAFR). The latest report is available to readers on the City of Arlington web site at www.arlingtontx.gov/finance/cafr_financial_reports.html. For more information about the CAFR or other financial reporting questions, contact the Financial and Management Resources Department at 817-459-6300.

	2012	2011	2010
Government-wide (in thousands)			
Assets	2,773,684	2,769,116	2,760,496
Liabilities	844,061	862,993	873,331
Net Assets	1,929,623	1,906,123	1,887,165
Revenues			
Governmental funds excluding Stadium Venue contributions	339,405	332,469	336,507
Enterprise funds	125,255	133,934	117,397
Total	464,660	466,403	453,904
Expenditures/Expenses			
Governmental activities excluding capital outlay	328,568	350,589	302,079
Enterprise funds	89,286	86,120	77,876
Capital outlay -Cowboy Stadium	-	-	40,754
Capital outlay - other	32,262	26,389	38,611
Infrastructure Assets - net of accumulated depreciation			
Governmental activities	208,154	199,965	205,264
Enterprise funds	537,005	534,610	524,638
Total Infrastructure Assets	745,159	734,575	729,902
Fund Balance			
General Fund			
Nonspendable	1,268	1,244	1,163
Committed	500	1,622	500
Assigned	61,729	57,816	61,277
Unassigned	-	6,093	3,627
Debt Service Fund -restricted	39,162	38,130	58,696
Long-term Debt Outstanding			
Governmental activities	322,592	319,625	327,943
Enterprise funds	149,418	143,256	110,120
Cowboy Stadium	246,907	262,212	297,056
Total Debt	718,917	725,093	735,119
Retiree Benefit Obligation			
Funded	-	-	-
Unfunded	147,700	109,100	100,900
Pension Obligation - TMRS			
Funded	736,849	688,015	373,896
Unfunded	131,656	144,154	247,280
Percent funded	84.80%	82.70%	60.20%

Major Employers 2012

- Arlington ISD
- UT-Arlington
- Six Flags over Texas
- The Parks at Arlington
- General Motors
- City of Arlington

Major Taxpayers

4.1 % of the City's assessed value:

- General Motors
- Oncor Electric Delivery
- The Parks Mall at Arlington
- Chesapeake Operating
- Arlington Highlands



Accounting Terminology

Enterprise Funds Water, Sewer and Storm Water Utility funded by fees charged to users

Capital Outlay Funds spent to purchase or construct buildings, machinery, vehicles, etc.

Fund Balance The difference between assets and liabilities of a fund

Government-wide The City as a whole

Governmental Activities The City's basic services such as Police, Fire, Public Works and Parks that are mostly funded by property tax, sales tax and franchise fees

Infrastructure Assets Stationary assets of the City that include streets, sidewalks, water, sewer and drainage systems

Net Assets The difference between assets and liabilities for the City as a whole

TMRS Texas Municipal Retirement System

Trend Variances

- The City's increase in total net assets of \$23.5M this year is \$4.5M higher than the \$19.0M increase last year. This change is primarily related to an increase in the amount invested in capital assets, net of related debt in the enterprise funds. Invested in capital assets, net of related debt represents the capital assets and construction in progress of the City (net of depreciation), less the related outstanding debt liability.
- The decrease in total revenues of \$1.7M is attributable to decreased water sales due to milder summer climate conditions in 2012 vs. 2011.
- Governmental expenditures excluding capital outlay decreased \$22.0M. This is primarily attributable to position vacancies resulting in significant savings in salary and benefit expenditures. Overall, expenditures for governmental activities would have been even lower had the City not incurred considerable expense related to storm clean-up after the April 2012 tornado.
- Capital outlay - other increased \$5.9M compared to last year due to increased spending on street and traffic projects. Completion of street and traffic projects also accounted for the increase in governmental infrastructure assets.
- The 2012 General Fund assigned fund balance was \$61.7M with nothing unassigned, a \$2.2M decrease in aggregate from the prior year. This decrease is primarily due to the budgeted use of the beginning fund balance during fiscal 2012.
- Total long term debt decreased \$6.2M during the year. Debt issues in 2012 include \$43.5M in Permanent Improvement and Refunding bonds and \$17.9M in Water and Wastewater System Revenue and Refunding bonds. Bond principal payments totaled \$67M on existing obligations.
- The unfunded retiree health benefit obligation increased \$38.6M this year, largely due to updated actuarial assumptions used in the most recent actuarial valuation.

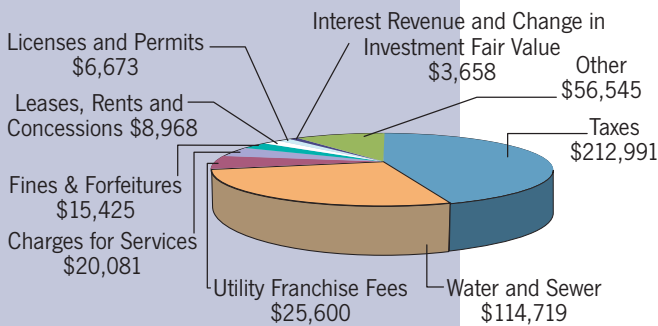
FY 2012 Important Facts

Founded	1884	Labor Force	205,683
Incorporated	1887	Unemployment Rate	6.8%
2012 Population	365,860	Housing Start Permits Issued	465
County	Tarrant	Foreclosures - residential and commercial	981
Assessed Property Values	\$17.3 Billion	Occupancy Rates - Office	88.0%
City Tax Rate	\$0.6480 per \$100 valuation	- Industrial	91.0%
Sales Tax	\$88,957	- Retail	92.9%
Debt per Capita	\$864	- Residential-multifamily	93.2%

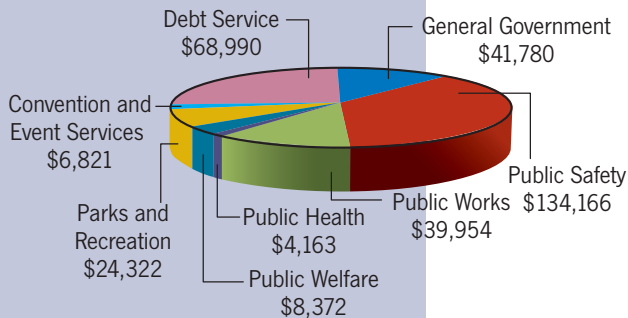
Financial Highlights 2012

Arlington has effectively managed its financial condition over the years, with a built-in conservative bias. City leaders are committed to continue to vigilantly manage City finances during the recession and will continue to take steps necessary to preserve Arlington's Aa2/AA+/AA general obligation bond rating and the City's ability to serve the public.

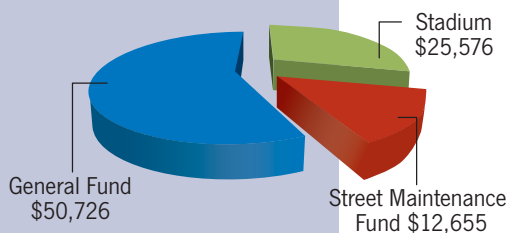
Total Revenues 2012 (in thousands) \$464,660



Governmental Expenditures - Key Services 2012 (in thousands) \$328,568

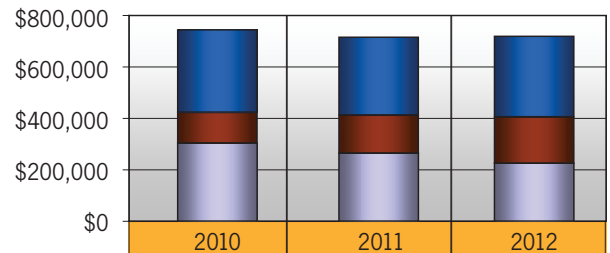


Sales Tax 2012 (in thousands) \$88,957



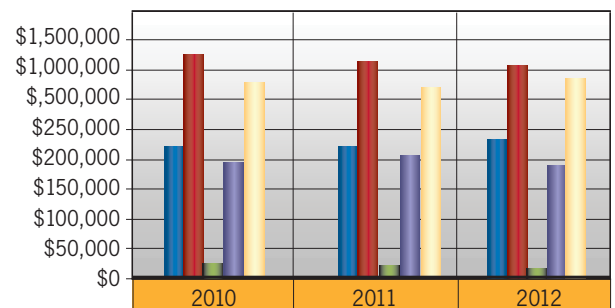
	2010	2011	2012
Property Tax Base (in thousands)			
Personal	\$2,604,015	\$2,369,503	\$2,555,054
Real Estate	\$15,647,090	\$14,809,609	\$14,768,390
Total	\$18,251,105	\$17,179,112	\$17,323,444
Property Tax Rate			
Operations	0.4330	0.4393	0.4423
Debt service	0.2150	0.2087	0.2057
Total	0.6480	0.6480	0.6480
Sales Tax Revenue (in thousands)			
Amount	\$81,517	\$86,219	\$88,957
Annual growth	1.7%	5.8%	3.2%

Long-Term Debt Outstanding (in thousands)



	2010	2011	2012
Governmental activities	\$327,943	\$319,625	\$322,592
Enterprise funds	\$110,120	\$143,256	\$149,418
Cowboy Stadium	\$297,056	\$262,212	\$246,907

Capital Assets - net of Accumulated Depreciation (in thousands)



	2010	2011	2012
Land	\$215,103	\$216,388	\$231,147
Bldgs. & Imprvmnts.	\$1,222,676	\$1,106,572	\$1,089,396
Equipment	\$20,175	\$18,164	\$18,094
Construct. in Progress	\$199,902	\$201,449	\$195,149
Infrastructure	\$729,902	\$734,575	\$745,159
TOTAL:	\$2,287,228	\$2,277,148	\$2,278,945

Looking Forward

Arlington is a city with productive and creative employees, effective management and a tradition of solid policy and fiscal leadership. As we move toward FY 2013, our vision for the future, both near and long term, is shaped by new priorities defined by our City Council.

The priorities for FY 2013 are designed to enhance the quality of life for all who live, work and play in Arlington. What you will see is a commitment to priorities that are dedicated to a better quality of life: Build a Thriving Community, Support Quality Education, Enhance Regional Mobility, and Define an Identifiable Brand.

As we strive to Build a Thriving Community, strategic development plans such as the New York Avenue Corridor Development and the Division Street Corridor Plan will take shape in the coming months. New retail development is part of the equation throughout Arlington, and particularly in Downtown, which continues to flourish. Artist Garden Park at Viridian will become a reality within the next year, as well, offering a unique respite for the families who will soon be moving into the neighborhood.

The City understands the importance of good schools. Our commitment to education is already under way. The unique partnership between the Arlington ISD and the Arlington Fire Department is a real success story. The Arlington Fire Department delivered an actual fire truck and apparatus to the district for training purposes and expects a number of AISD students to attend the Fire Training Academy.



The Arlington Library is partnering with local school districts, locating libraries at several Arlington schools to better serve students. Joint staff meetings were productive in identifying areas of mutual interest and potential future collaboration for both organizations. The Arlington Library is also supporting education through an Early Learning program supported by a National Leadership Grant.

Enhancing Regional Mobility is a priority for Arlington that could have a true impact for the region. The two-year pilot program is scheduled for an August launch and will connect downtown Arlington to the Trinity Railway Express. Abram Street from the east city limits to downtown will be another example of enhanced regional

mobility in the coming months.

Another priority for the council is to Define an Identifiable Brand. With events such as the US-China Investment Summit drawing international attention to our city, our council realizes there's never been a more important time to establish a solid brand and image for the City of Arlington. From way-finding signage to the elements of design that create our various logos, no detail can be overlooked when contemplating the impact of brand and image.

And so, it is with these priorities in focus that we move toward the next year; eager to face the challenges that may lie ahead, with an eye to good stewardship and a balanced budget; without losing sight of the vision these priorities will help us create.

City of Arlington, Texas
Popular Annual Financial Report
Year Ending September 30, 2012

